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Peru

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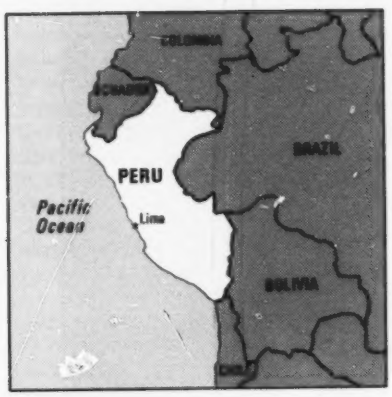

Official Name: Republic of Peru

PROFILE

People

Nationality: *Noun and adjective*—Peruvian(s). **Population** (1982 est.): 18.6 million. **Annual growth rate** (1982 est.): 2.7%. **Ethnic groups:** Indian 45%, mestizo 37%, white 15%, blacks, Asians, and others 3%. **Religion:** Roman Catholic. **Official languages:** Spanish and Quechua. **Education:** *Years compulsory*—10. *Literacy*—72% (1976 est.). **Health:** *Infant mortality rate*—80/1,000. *Life expectancy*—56.5 yrs. **Work force** (5.6 million, 1980 est.): *Agriculture*—40%. *Industry and mining*—19%. *Government and other services*—41%.

Geography

Area: 1.28 million sq. km. (496,222 sq. mi.); three times larger than California. **Cities:** *Capital*—Lima (pop 4.9 million, 1980 est.). *Other principal cities*—Arequipa, Chiclayo, Cusco, Huancayo, Trujillo, Piura, Iquitos, Chimbote. **Terrain:** Western coastal plains, central rugged mountains (Andes), eastern lowlands with tropical jungle forests. **Climate:** Coastal area, arid and mild; Andes, temperate to frigid; eastern lowlands, tropically warm and humid.

Government

Type: Constitutional republic. **Independence:** 1821. **Constitution:** Took effect July 28, 1980, but often referred to as the 1979 constitution because constituent assembly met to revise constitution that year.

Branches: *Executive*—president, two vice presidents, Council of Ministers. *Legislative*—Senate and Chamber of Deputies. *Judicial*—Supreme Court and lower courts, Tribunal of Guarantees.

Administrative subdivisions: 24 departments, 1 constitutional province.

Political parties: Popular Action (AP), American Popular Revolutionary Alliance (APRA), Popular Christian Party (PPC), United Left (IU) coalition. **Suffrage:** Universal over age 18.

Central government budget (1982): $4.7 billion.

Defense (1979 est.): 4% of GDP.

Flag: Three vertical stripes—red, white, red—with coat of arms on center stripe.

Economy

GDP (1981): $20.1 billion. **Growth rate** (1981): 3.9%. **Per capita GDP** (1981): $1,102. **Per capita growth rate** (1981): 1.1%. **Avg. annual inflation rate** (1978–81): Over 60%.

Natural resources: Minerals, metals, petroleum, forests, fish.

Agriculture (13% of GDP): coffee, cotton, cocoa, sugar, wool, corn.

Industry (25% of GDP): Mineral processing, oil refining, fishmeal, textiles, food processing, light manufacturing, automobile assembly.

Trade (1981): *Exports*—$3.2 billion: petroleum, copper, silver, zinc, lead, fishmeal, coffee, cotton, canned and frozen fish. *Major markets*—US (39%), EC, Japan. *Imports*—$3.8 billion: machinery, cereals, chemicals, pharmaceuticals, petroleum and mining equipment. *Major suppliers*—US (41%), Andean Pact countries, EC, Japan.

Fiscal year: Calendar year.

Official exchange rate (Sept. 1982): 806 soles = US$1 (policy of mini-devaluations).

Economic aid received: *Total*—$3.48 billion (1946–81) from US and international financial institutions. *Direct US aid*—$1.6 billion (1946–81) in loans, grants, PL 480 programs.

Membership in International Organizations

UN (including specialized agencies such as World Bank and International Monetary Fund), Organization of American States, Andean Pact common market, Latin American economic system (SELA), Latin American Integration Association (ALADI), Inter-American Development Bank, INTELSAT, Nonaligned Movement, Group of 77.

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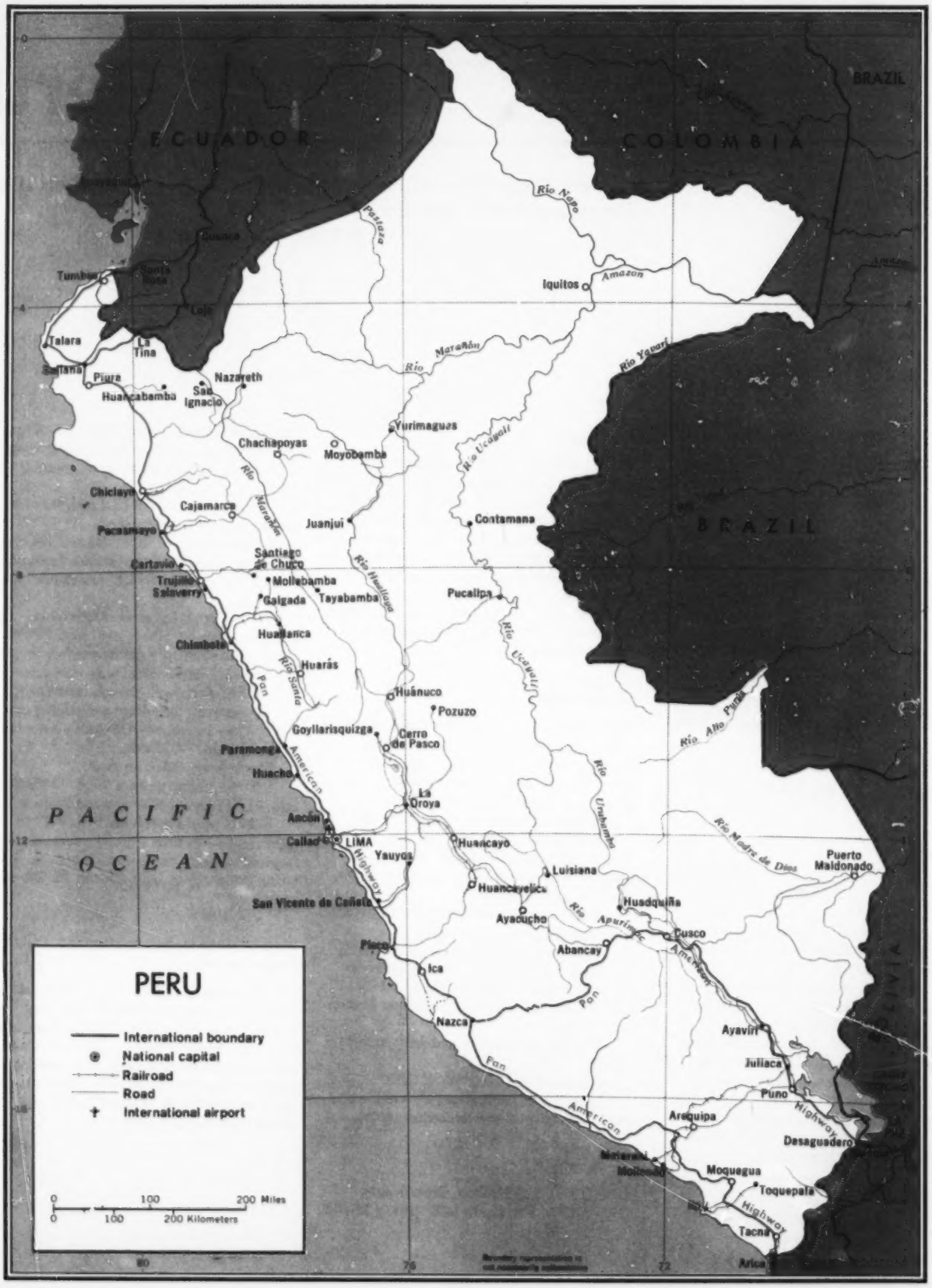

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GEOGRAPHY

Peru is the third largest country in South America, bordered by Ecuador, Colombia, Bolivia, Chile, and Brazil. Peru claims a 320-kilometer (200-mi.) territorial sea along its 2,240-kilometer (1,400-mi.) Pacific Ocean coastline. The country has three topographical and climatic regions:

- The coastal area (the *costa*), 26–260 kilometers (10–100 mi.) wide, consists of arid plains and foothills, with mild temperatures year round. The country's industrial and commercial centers are in this region, dependent upon water running off the Andes. The contrast between the desert and the verdant river valleys along the coast is abrupt and striking.
- The Andes Mountains (the *sierra*), about 518 kilometers (200 mi.) wide, occupy nearly 27% of Peru's land area and represent a formidable natural barrier to transportation and communication between the coast and the interior. The highest mountain, Huascaran, is 6,729 meters (26,492 ft.) above sea level. The climate in the *sierra* ranges from temperate to frigid, depending on elevation. Rainfall normally exceeds 254 centimeters (100 in.) annually on the eastern slopes. The *sierra* contains major mineral deposits.
- The eastern jungle (the *selva*) accounts for more than half of Peru's land area. Many rivers descend from the high jungle on the Andes' eastern slopes (the *montana*) and feed into the Amazon. The climate is warm and humid, with abundant rainfall throughout the year. The *selva* is thought to have large petroleum deposits.

Lima's climate is often compared to that of San Francisco, except that rainfall on the desert coast totals only 2.5–5 centimeters (1–2 in.) annually. Lima has no extreme temperatures and little daily variation. Summers (January-March) are warm and sunny in the daytime and pleasantly cool at night. In contrast, during winter (May-November), the city is almost constantly covered with a low-hanging mist, produced by the cold waters of the Humboldt Current.

PEOPLE

Peruvian ethnic structure is made up of Amerindians, Hispanicized mestizos, and Hispanic Europeans. In addition, some Peruvians are of African descent, and Lima and other coastal cities have Chinese and Japanese communities. Mestizos form a cultural bridge between the Hispanic-European and Amerindian societies. White Europeans tend to be culturally homogeneous throughout the country, whereas the Hispanicized mestizos and Amerindians show greater cultural diversity. However, through education and economic development and the movement from rural to urban areas, a more homogeneous national culture is developing, especially in major cities.

Peru has two official languages—Spanish and the foremost indigenous language, Quechua. Spanish is the language of government, the media, education, and commerce. The Indians of the *selva* speak various dialects and languages and are ethnically distinct from those of the *sierra*. Some of these tribes still live much as they have since prehistoric times, while others have been almost completely assimilated into the mestizo-Hispanic culture.

Under the 1979 constitution, primary education is free and compulsory for boys and girls. The system is highly centralized, with the minister of education appointing all public school teachers. Private schools, especially Catholic schools, traditionally have exercised a more influential role and enrolled proportionately more students than private schools in the United States. Eighty-four percent of Peru's students attend public schools at all levels. School enrollment has been rising sharply for years, due to a widening educational effort by the government and a growing school-age population. Illiteracy, above 70% in isolated areas of the *sierra*, is estimated at 28% in urban areas. Elementary and secondary school enrollment is nearly 5 million. University enrollment stands at 256,000.

The relationship between Hispanic and Indian cultures determines much of the nation's cultural expression. Peru has passed through various intellectual stages, from the implantation of colonial Hispanic culture to an affectation of European romanticism after independence. The beginning of this century brought *indigenismo*, expressing a new awareness of pre-Hispanic and Indian culture. After World War II, Peruvian writers, artists, and intellectuals participated in worldwide intellectual and artistic movements, drawing especially on U.S. and European trends.

The "First Phase" of the 1968–80 military government sought to move away from European and North American influence toward Peruvian indigenous cultural forms, including the increased use of Quechua in the official media and emphasis on symbols such as 18th-century rebel Indian leader Tupac Amaru. Nonetheless, Peruvian literature remained tied to continental and world trends, and such writers as Mario Vargas Llosa, Albredo Bryce Echenique, and Julio Ramon Ribeyro contributed to the Latin American literary boom, achieving an international readership.

Art

During pre-Columbian times, Peru was one of the major centers of artistic expression in America. Pre-Incan cultures, such as Chavin, Paracas, Nazca, Chimu, and Tiahuanaco, developed high-quality pottery, textiles, and sculpture. Drawing upon earlier cultures, the Incas continued to maintain these crafts but made even more impressive achievements in architecture. The great fortress of Machu Picchu and the buildings at Cusco are excellent examples of Incan architectural design.

During the colonial period, Spanish baroque fused with the rich Incan tradition to produce mestizo or creole art. The Peruvian school followed the Spanish baroque tradition with influence from the Italian, Flemish, and French schools.

In the 19th century, Pancho Fierro made a distinctive creole contribution with his portrayals of typical events, manners, and customs of mid-19th century Peru. Francisco Lazo, forerunner of the indigenous school of painters, also achieved fame for his portraits, as did Luis Montero and Carlos Bacaflor.

Peru's 20th century art is widely known for its extraordinary variety of styles and originality. Beginning in the 1930s, a group of Peruvian artists reacted against the limitations of the indigenous styles and adopted a more international style. Peruvian sculpture has followed the same trend as painting.

HISTORY

When the Spanish landed in 1531, Peru's territory was the nucleus of the highly developed Incan civilization. Centered at Cusco, the Incan Empire extended over a vast region from northern Ecuador to central Chile. In search of Incan wealth, the Spanish explorer Francisco Pizarro arrived in the territory after the Incas had fought a debilitating civil war, and he conquered the weakened people easily. By 1533, the Incan capital at Cusco had fallen, and by 1542 the Spanish had consolidated control. Gold and silver from the Andes enriched the conquerors, and Peru became the principal source of Spanish wealth and power in South America.

Pizarro founded Lima in 1535. The viceroyalty established at Lima in 1542

Travel Notes

Climate and clothing—During the damp winter (May-November), mediumweight clothing is suitable; in summer, wear lightweight clothing. Local fashions are similar to those in the US.

Health—Community sanitation conditions are not a serious problem. Lima has several good restaurants; however, outside the city it is best to dine at a tourist hotel and take reasonable precautions. Although Lima's tapwater is treated, many people drink bottled water, and elsewhere it should be boiled. Yellow fever inoculation and malaria suppressants are recommended for jungle travel. Health requirements change; check latest information. Gamma globulin is recommended against hepatitis. At high altitudes in the Andes, lack of oxygen may cause headaches.

Telecommunications—National and international telephone and telegraph service is available in Lima and in major cities, although delays are often experienced when placing calls.

Transportation—Lima is served by several international airlines, and Peru has economical domestic air travel. The scenic Central Railway connecting Lima with the central highlands of the Peruvian Andes is the world's highest standard-gauge railway, crossing the main range at above 4,570 m. (15,000 ft.). The more extensive Southern Railway links Molendo on the coast with Arequipa, Cusco, and Puno.

Taxis are available in Lima and principal cities; rental cars are available in Lima.

Telecommunications—Long-distance telephone and telegraph service to the US, via satellite, is fairly good. Peru is in the eastern standard time zone.

Tourist attractions—Lima: cathedral, gold museum, Larco Herrera Museum (ceramics). Pre-Incan sites: Nazca, Pachacamac (south of Lima), Chan Chan (north of Trujillo). Incan sites: Cusco, Machu Picchu. Colonial cities (besides Lima and Cusco): Arequipa, Trujillo, Iquitos (on the Amazon River). Callejon de Huaylas (Andean mountain valley). Lake Titicaca (highest large lake in the world).

had jurisdiction over Panama and all Spanish territory in South America except Venezuela for almost 250 years. By the time of the wars of independence (1820–24), Lima had become the most distinguished and aristocratic colonial capital and the chief Spanish stronghold in America.

Peru's independence movement was led by Jose de San Martin of Argentina and Simon Bolivar of Venezuela. San Martin proclaimed Peruvian independence from Spain on July 28, 1821. Emancipation was completed in December 1824, when Gen. Antonio Jose de Sucre defeated the Spanish troops at Ayacucho, ending Spanish rule in South America. Spain made futile attempts to regain its former colonies, but in 1879 it finally recognized Peru's independence.

Since independence, Peru and its neighbors have engaged in intermittent territorial disputes. Chile's victory over Peru and Bolivia in the War of the Pacific (1879–83) resulted in a territorial settlement—the effects of which are still being challenged. Following a clash between Peru and Ecuador in 1941, the Rio Protocol (of which the United States is a guarantor) established the current boundary between the two countries. A skirmish occurred in early 1981 in a part of the border area still undemarcated.

The military has been prominent in Peruvian history. Coups have interrupted civilian constitutional government repeatedly. The most recent period of military rule began in 1968, when Gen. Juan Velasco Alvarado overthrew President Fernando Belaunde Terry. As part of what has been called the "First Phase" of the military government's nationalist program, Velasco undertook an extensive agrarian reform program and nationalized the fishmeal industry, petroleum companies, and several banks and mining firms.

As a result of Velasco's economic mismanagement and deteriorating health, Gen. Francisco Morales Bermudez Cerrutti replaced Velasco in 1975. As Morales Bermudez moved the revolution into a more pragmatic "Second Phase," he tempered the authoritarian abuses of the First Phase and began the task of restoring the country's economy. Morales Bermudez presided over the return to civilian government, in accordance with a new constitution drawn up in 1979. In the May 1980 elections, President Fernando Belaunde Terry of the Popular Action Party (AP) was returned to office by an impressive plurality.

GOVERNMENT

The president is popularly elected for a 5-year term and may not be elected to a consecutive term. The first and second vice presidents also are popularly elected but have no constitutional functions unless the president is incapacitated. The principal executive body is the Council of Ministers, headed by the prime minister. Like other cabinet members, the prime minister is appointed by the president. All presidential decree laws or draft bills sent to Congress must be approved by the Council of Ministers.

The legislative branch consists of a bicameral Congress with a 60-member Senate and a 180-member Chamber of Deputies, both elected for 5-year terms. Constitutionally elected former presidents are also designated senators for life. Congress convenes from July 27 to December 15 and from April 1 to May 31, annually. In addition to passing laws, Congress is empowered to approve treaties, authorize government loans, and approve the government budget. Each congressional body has the power to initiate legislation, which is then submitted to the other body for revision. The president has the power to review legislation but may not veto laws passed by Congress.

The judicial branch of government is headed by a 16-member Supreme Court seated in Lima. The Tribunal of Guarantees, a separate judicial body, interprets the constitution on matters of individual rights. An independent attorney general serves as a judicial ombudsman. Superior courts sit in departmental capitals and hear appeals from decisions by lower courts. Courts of first instance are located in provincial capitals and are divided into civil, penal, and special chambers.

Peru is divided into 24 departments and the constitutional province of Callao, the country's chief port, adjacent to Lima. The departments are subdivided into provinces, which are composed of districts. Local authorities below the departmental level are elected.

Principal Government Officials

President—Fernando **Belaunde** Terry
First Vice President—Fernando **Schwalb** Lopez Aldana
Second Vice President—Javier **Alva** Orlandini
Prime Minister and Minister of Economy, Finance, and Commerce—Manuel **Ulloa** Elias

Other Ministers

Foreign Relations—Javier **Arias** Stella
Interior—Lt. Gen. (AF-Ret.) Jose **Gagliardi** Shiaffino
Justice—Arnando **Buendia** Gutierrez
War—Lt. Gen. Luis **Cisneros** Vizquerra
Navy—Vice Adm. (Ret.) Jose **Carvajal** Pareja
Education—Jose **Benavides** Munoz
Public Health—Juan **Franco** Ponce
Aeronautics—Lt. Gen. (AF-Ret.) Jose **Garcia** Calderon Koechlin
Agriculture and Food—Nils **Ericsson** Correa
Labor—Alfonso **Grados** Bertorini
Housing and Construction—Javier **Velarde** Aspillaga

Transportation and Communication—Fernando **Chavez** Belaunde
Energy and Mines—Fernando **Montero** Aramburu
Fisheries—Rene **Deustua** Jameson
Industry, Tourism and Integration—Gonzalo **de la Puente** Lavalle
Chief of the National Planning Institute—Carlos **Pestana** Zevallos
Chief of the National System of Social Communications—Miguel **Alva** Orlandini

Ambassador to the United States—Fernando **Schwalb** Lopez Aldana
Permanent Representative to the United Nations—Celso **Pastor** de la Torre
Ambassador to the Organization of American States (OAS)—Luis **Marchand** Stens

The Peruvian Embassy in the United States is at 1700 Massachusetts Avenue NW., Washington, D.C. 20036 (tel. 202-833-9860). Peru has consulates in New York, Miami, Chicago, Houston, Los Angeles, and San Francisco.

POLITICAL CONDITIONS

Since the 1930s, the two principal political institutions have been the military and the American Popular Revolutionary Alliance (APRA), Peru's oldest mass-based political party. Traditionally, relations between the two were hostile, occasionally resulting in bloodshed, but something of a compromise was reached during the final portion of the Morales Bermudez government.

APRA is vaguely social democratic; it has observer status in the Socialist International and regards itself as in the "non-Communist left." Following electoral defeats and the death in 1979 of Victor Raul Haya de la Torre, founder of APRA, the party has engaged in bitter internecine disputes. One of its most powerful leaders, unsuccessful presidential candidate Armando Villaneuva, has declined several offers by President Fernando Belaunde to participate in a broad-based government.

President Belaunde founded the Popular Action Party (AP) in 1956. AP has been able to attract strength from a wide range of social sectors. Regionally, AP's strength has centered in the southern departments of Arequipa and Cusco. Ideology is less important than faith in Belaunde himself and his far-reaching plans to tap Peru's potential by opening the vast eastern area to economic development.

AP's ally in government is the Popular Christian Party (PPC), a moderate conservative group originally derived from the international Christian Democratic movement. Voter strength for the PPC lies primarily in Lima and includes the business and commercial elite, middle classes, and a small segment of the urban poor. PPC leadership is drawn heavily from Lima-based business people and lawyers. The principal PPC figure is Luis Bedoya Reyes. AP holds a narrow majority in the lower house and, with PPC support, controls the Senate.

The far left is fragmented into as many as 40 parties. Six parties and coalitions formed the United Left (*Izquierda Unida* or IU) for the November 1980 municipal elections; leftist groups drew more votes than APRA, improving their performance compared with their showing 6 months earlier. IU candidates won in eight major cities and came in second in several others. The highly splintered left controls 15% of the electorate, although they have polled 30% on rare occasions.

The next test of relative political strength will be the November 1983 municipal elections. National elections will not occur until 1985, unless the president dissolves the lower house of Congress—an unlikely prospect.

Courtesy Embassy of Peru

Lima's cathedral is on the Plaza de Armas. The statue is of Francisco Pizarro (c. 1476-1541), Spanish conquistador of Peru.

ECONOMY

The Peruvian economy is growing well above the Latin American average of 1.2% and Peru's population growth rate of 2.7%. Although the Peruvian Government has called 1982 a "crisis year," gross domestic product (GDP) growth of about 4% is predicted.

Two years after returning to civilian rule, Peru continues to rebuild a market economy and dismantle the initiative-stifling structures created during 12 years of military rule. To accomplish this during a world recession, as Peru sees the demand (and therefore price) of its traditional extractive and agricultural exports fall, is nearly unprecedented. Decreases in export receipts have created serious deficits in its current account and a substantial decrease in its foreign reserves. Large public-sector deficits have followed, as tax receipts from exports declined and the government continued to subsidize inefficient

US Development Assistance

FY 1982

	US $ millions
Grants	6.8
Loans	28.0
Upper Huallaga agricultural development	15.0
Small hydro development	9.0
Integrated health/family planning	4.0
PL 480 (Food for Peace)	
Title I (loan)	20.0
Title II (grant)	26.9
Total	81.6

parastatal enterprises and food prices. Inflation has exceeded 60% in each of the last 4 years; in 1981, it reached 72.7% and in 1982, returned to 60% levels. Peru's external debt increased to $9.7 billion in 1981 (48.2% of GDP), while total debt service was $1.7 billion, a record 53.2% of exports.

In this environment, the Belaunde government has been fiscally conservative in its policies. The government is committed to opening the economy, including lowering trade and foreign investment barriers. It seeks to stimulate the economy by diminishing various public controls, selling off marginal parastatal enterprises, and encouraging private investment. The banking sector is becoming more competitive. The government continues to cut the inherited food subsidy program—a task that is politically sensitive and economically desirable. Development projects will continue to depend on public and private external financing, which Peru has been easily able to attract and disburse, but which may become somewhat less viable, given internal and external constraints.

Peru has long been famous for its rich and varied mineral resources. It is one of the world's leading producers of silver, zinc, lead, copper, gold, and iron ore. Although not a major crude oil producer, Peru became self-sufficient and a net oil exporter in 1978. The country's oil production has risen to an average of 193,000 barrels per day (b/d), with annual exports of petroleum and derivatives totaling about $694 million. About one-third of production is destined for foreign markets. New investments beginning in 1981 should increase production to 214,500 b/d. Aggressive exploration now being carried out is expected to increase known reserves and prolong Peru's ability to export oil.

About 40% of the population works in agriculture, a sector sharply divided between commercial farming on the coast and subsistence farming largely in the mountains. Raising agricultural production is of crucial importance to the country's development. Since the 1960s, per capita food production has been declining, increasing the country's dependence on imported foods and contributing to balance-of-payments difficulties. Agricultural production began to recover in 1982 with new government policies to increase technical and credit support, lowered duties on imported agricultural equipment and supplies, and the end of a 3-year drought. Agricultural production increased by 12.7% in 1981, with growth expected to continue by 5% in 1982. In returning to a free-market economy, many agricultural commodity prices at both wholesale and retail markets were freed from government control in 1981.

Peru is the world's sixth largest fishing nation and a major producer and exporter of fishmeal. As a result of a shift in ocean currents, overfishing, and a subsequent decrease in fish production rates, fishmeal production dropped sharply in the 1970s. To offset this decline, fishing for human consumption, with prospects for export of canned and frozen fish, has been strongly supported by recent governments and has grown in recent years.

The manufacturing sector contributed about one-quarter of the 1981 GDP and employs 13% of the labor force. Processing basic materials (minerals, petroleum, and agricultural products) for export and producing for domestic consumption are the major industries. About one-third of manufacturing is in food, textiles, and clothing. Another third is in the intermediate products of basic metals, minerals, chemicals, and petroleum refining. Sugar refining, cotton ginning, and concentrating and refining metallic ores are also important industries.

The manufacturing sector faces bleak times in 1982. World demand for minerals remains low. Certain military-regime protections for domestic industry continue to be dismantled. Loans are increasingly expensive due to banking policy changes. Additional import restrictions that might be imposed would affect primarily capital goods, which the manufacturing sector needs to become more competitive. The consolidation of the manufacturing sector is likely to continue, with major expansion awaiting the recovery of the world economy.

Foreign Trade

Foreign trade is fundamentally important to Peru, and the diversity of the country's exports makes the national economy less susceptible to the damaging effects of individual commodity price fluctuations than that of most other Latin American nations.

In 1981, exports of three commodities—petroleum ($701 million), copper ($546 million), and silver ($306 million)—accounted for 47% of total export earnings. Nontraditional exports, such as textiles, processed fish products, lumber, handicrafts, and refined metals, totaled $690 million in 1981, 17% less than the previous boom year. In 1980, the value of exports rose 10% to $3.9 billion. However, the effects of the worldwide recession and the recent drop in international mineral prices have caused export earnings to fall to an estimated $3.3 billion in 1981. With imports projected to climb to $3.8 billion, the 1981 trade balance was a negative $632 million, down from 1980's surplus of $767 million.

The Peruvian Government believes that opening up the economy to more imports will improve the efficiency of domestic industry and help reduce inflationary pressures. The import liberalization program, begun in 1979 and accelerated by the Belaunde Administration, has eliminated such restrictions as import licensing and ministerial approval. Maximum tariffs have been lowered from 150% to 60%, with the average tariff now 32%. A 1-year, 15% surcharge was applied across the board in January 1982 to stem the temporary decline in government revenues.

The United States is Peru's largest trade partner. During the first 6 months of 1981, 42% of Peruvian imports and 32% of the country's exports were in

trade with the United States. U.S. exports to Peru have grown rapidly since 1979 as a result of Peru's import liberalization program and the compressed demand of 12 years of import restrictions. In 1981, U.S. exports to Peru were $1.6–1.8 billion, as compared to $1.2 billion in 1980, an increase of about 24%.

U.S. Investment in Peru

During the Velasco years, several major U.S.-owned enterprises were nationalized, and they were compensated by 1978. The Belaunde government's attitude toward foreign investment is more positive. Government officials recognize the necessity of attracting foreign investment as well as stimulating private-sector investment. The Belaunde government has passed legislation authorizing tax credits on reinvested income in mining and petroleum, as well as gradual elimination of a 17.5% tax surcharge on mineral exports.

Most new U.S. investment is still concentrated in mining and petroleum. The most important new U.S. investments in the past 10 years have been the Southern Peru Copper Corporation's mine at Cuajone and Occidental Petroleum's operations in the northern jungle.

Negotiations between the Peruvian Government and several foreign oil companies, including the two U.S. companies, Belco and Occidental, began in earnest during the first part of 1980, after the government issued new guidelines concerning oil contracts and taxation. In December 1980, new legislation was approved by the Peruvian Congress, offering further inducement for foreign investment and resulting in a series of contracts signed in 1981 with the first new, foreign companies to enter the Peruvian petroleum industry since 1973.

Petroperu and Superior Oil signed an exploration contract on March 26, 1981, requiring the drilling of two exploration wells in the next 2 years. A contract with Shell was signed July 10, 1981, to permit exploration of the less-known southern jungle area, under terms that reportedly commit Shell to spend a minimum of $100 million over the next 4 years in a two-stage exploration program.

U.S. Economic Assistance

The AID [Agency for International Development] program in Peru focuses on *sierra* and high-jungle economic growth, *sierra* social programs, and basic human needs in cities. Resources are concentrated in impoverished areas that have the most development potential. The *sierra* social programs, such as health care extension, cover most areas, whereas growth-oriented projects are concentrated in the departments of Cajamarca and Junin. In the high jungle, the principal development projects are in San Martin (central Huallaga), Huanuco (upper Huallaga), and Pasco (central *selva*).

In recent years, Peru has received about $400 million annually from AID and other donors such as the World Bank, other U.N. agencies, and the Inter-American Development Bank.

During fiscal year 1981, the U.S. Government cooperated with the Government of Peru in a financial and technical assistance program of more than $81 million, the largest U.S. development assistance program in South America.

US Economic Assistance

Fiscal Years 1946–81

	US $ millions	*Cumulative Total US $ millions*
AID		362.3
Loans	248.0	
Grants	114.3	
PL 480 (Food for Peace)		289.6
Loans (Title I)	104.9	
Grants (Title II)	184.7	
Other		89.1
Loans	50.7	
Grants	38.4	
Peace Corps	25.3	
Narcotics control	7.5	
Other	5.6	
Export-Import Bank loans		395.4
Other assistance		461.8
Total direct US assistance		1,598.2
Other US-supported assistance		1,881.0
International finance corporations		37.9
Inter-American Development Bank		851.8
World Bank		934.4
Other UN assistance		56.9
TOTAL		3,479.2

DEFENSE

In the early 1970s, Peru embarked on an arms modernization program for all military services. Deliveries will extend into the late 1980s. The purchases included:

- For the army, Soviet-built T-55 tanks, rifles, modern artillery, surface-to-air missile systems, and helicopters;
- For the air force, Soviet-built supersonic fighter-bombers, helicopters, assault transport aircraft, surface-to-air missiles, and anti-aircraft guns, U.S.-built helicopters and transports, and Italian-built advanced training aircraft; and
- For the navy, West German submarines, a converted Dutch helicopter cruiser, Italian missile frigates and helicopters, French missile patrol boats, used Dutch destroyers, and U.S. helicopters.

Although these purchases have increased Peru's economic burden, they have made Peru a relatively formidable military force in the region, causing Chile and Ecuador some concern. Peru was the first continental Latin American country to purchase Soviet arms.

FOREIGN RELATIONS

During the 1968–80 military government, and especially during the First Phase, Peru shifted from its traditional pro-Western stance. The government established diplomatic relations with most Communist countries and made the role of Third World leader, in such institutions as the Nonaligned Movement,

Further information

These titles are provided as a general indication of material published on this country. The Department of State does not endorse unofficial publications.

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a major foreign policy goal. The Belaunde government, though not committing itself to this legacy, placed top priority on reestablishing good relations with immediate neighbors and traditional friends, such as the United States. The election in December 1981 of veteran Peruvian diplomat Javier Perez de Cuellar as secretary general of the United Nations further enhanced Peru's image as a leader in foreign affairs.

The Andean Pact is headquartered in Lima, and Peru supports practical economic integration with the other member countries (Venezuela, Colombia, Ecuador, and Bolivia). The Belaunde government emphasizes the Andean Pact's economic dimension more than the political.

Peru continues to be one of the principal proponents of the concept of a 322-kilometer (200-mi.) territorial sea. President Belaunde also promotes concepts that could facilitate continental economic development, such as an inland waterway from Venezuela to Argentina.

U.S.-PERUVIAN RELATIONS

U.S. relations with Peru are generally excellent, although during the 1982 South Atlantic conflict, the Peruvian Government was critical of U.S. support for the United Kingdom. Peru has close historical, military, and commercial ties with Argentina and was one of its most ardent supporters.

The principal U.S. interest in Peru is the stability of the democratic government. Other important interests include fostering equitable economic growth in a system conducive to international trade and investment, enhancing bilateral cooperation, especially in controlling the illicit production of cocaine, and supporting U.S. policies in the Western Hemisphere and U.S. positions in international organizations.

Principal U.S. Officials

Ambassador—Frank V. Ortiz
Deputy Chief of Mission—Gerald P. Lamberty
Director, AID Mission—John Sanbrailo
Counselor for Public Affairs (USIS)—William R. Lenderking
Counselor for Political Affairs—Daniel H. Clare, III
Counselor for Economic Affairs—M. Gordon Jones
Counselor for Consular Affairs—Cecil Richardson
Counselor for Administrative Affairs—Harry E. Young
Naval and Defense Attache—Capt. Lucian Martinez
Army Attache—Col. Robert E. Spurrier
Air Attache—Col. Donald R. Delaney
Chief, Military Assistance Advisory Group (MAAG)—Col. John T. Payne
Counselor for Agricultural Affairs—Norval Francis
Commercial Attache—T. Porter Clary
Labor Attache—Richard T. Booth
Consular Agent, Cusco—Vacant
Consular Agent, Piura—Walter C. Carlson

The U.S. Embassy in Peru is at Avenidas Garcilaso de la Vega and Espana, Lima (tel. 286000). ■

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